

Designing CDBG-Eligible Programs

City of St. Louis
Community Development Administration
June 15th, 2016



1

Goals of the Workshop

- ▶ To assist organizations in analyzing whether proposed projects are eligible for Community Development Block Grant (CDBG) funding.
- ▶ CDBG Background
- ▶ National Objectives
- ▶ Eligible Activities

2

Designing a CDBG-Eligible Program: Steps

1. **Identify** an idea or concept
2. **Determine** whether a CDBG National Objective can be met
3. **Determine** whether a CDBG Eligible Activity can be met
4. **Determine** reasonableness of program costs

CDBG Quiz

Community Development Block Grant Program

Background

5

CDBG Background

- ▶ Enacted in 1974 as a part of the Housing and Community Development Act of 1974.
- ▶ One of the longest-running HUD programs.
- ▶ Provides funds to municipalities and other units of government around the country to develop viable urban communities.

6

Goals of the CDBG Program

- ▶ Provide decent, affordable housing;
- ▶ Provide a suitable living environment; and
- ▶ Expand economic opportunities, principally for low and moderate-income persons.

7

IMPORTANT !!!

For an activity to qualify under CDBG, it must meet a program goal, national objective and eligible activity.

8

CDBG National Objectives

24CFR 570.208

9

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10

CDBG National Objectives

1. Prevention or elimination of slums or blight
2. Activities to address an urgent threat to health or welfare
3. Benefits to low- and moderate-income people

An activity that fails to meet one or more of the national objectives is ineligible for CDBG funding!!!!

11

Elimination of Slum and Blight

- Includes activities designed to address deteriorated physical environment
- Area must be defined and meet the definition of slum/blighted area under state/local law (or through a blighting study)
- Typically blighted through an ordinance
- *Must be blighted prior to application*

12

Urgent Need

- Used to address emergency situations
- To meet the urgent need test the existing conditions must pose serious and immediate threat to health/welfare of the community
- Conditions must be recent or recently became urgent (generally 18 months)
- Very Rare to qualify under Urgent Need

13

Activities Benefiting Low- and Moderate- Income Persons

- ▶ Usually described as the most important national objective
- ▶ Statute requires that at least 70% of all CDBG expenditures benefit low/mod persons
 - Cumulative actual expenditures, not budgeted
- ▶ Records must document Low-Moderate Income status of each participant.

For an activity to qualify under CDBG, it must meet a program goal, national objective and eligible activity.

14

Activities Benefiting Low- and Moderate- Income Persons

Activities that benefit low- and moderate income individuals are divided into four subcategories:

- Those serving a limited clientele
- Those based on an area benefit
- Those involving employment (jobs)
- Those involving housing

15

Limited Clientele

To qualify as Limited Clientele an activity must:

- ▶ Be of such nature and in such location that it may reasonably be concluded that the activity's clientele will primarily be L/M income Persons; OR
- ▶ Exclusively benefit a clientele who are presumed by HUD to be principally low-moderate income persons; OR
- ▶ Require information on family size and income so that it is evident that at least 51% of the clientele are persons whose family income does not exceed the L/M income limit;

16

Limited Clientele

Nature and Location

- Not as common
- Example: a day care center located in a Public Housing development that only serves Public Housing Residents
- Must be approved by CDA

Presumed to be low-moderated income persons

- Must exclusively serve the presumed group
- HUD Presumed Classes: Elderly, Severely Disabled Adults, Abused Children, Battered Spouses, Homeless person, Illiterate Adults, Person with AIDS, Migrant Farm Workers.
- Example: a senior meals on wheels program

17

Limited Clientele

Family size and income

- Common National Objective for many Public Service Activities
- Examples: Day Care Centers, Youth Services for After-School Program (Ages 6 to 18), Summer Program for At-Risk Youth, Job Readiness Training for Ex-Offenders, Food Pantry, Low-Income Tax Assistance

IMPORTANT !!!

Failure to Document the Low-Income Clientele
will result in the repayment of CDGB Funds

18

Definition of LMI Person

- ▶ a member of a family having an income equal to or less than the limit established by HUD applicable to the size of the person's family
 - a family is defined as all persons living in the same household who are related by blood, marriage, or adoption
- ▶ Unrelated persons are considered to be a one person family for this purpose

19

2016 Income Limits St. Louis, MO

		1	2	3	4	5	6	7	8
Extremely Low Income	30% AMI	14,800	16,900	20,160	24,300	28,440	32,580	36,730	40,890
Low Income	50% AMI	24,650	28,150	31,650	35,150	38,000	40,800	43,600	46,400
Moderate Income	80% AMI	39,400	45,000	50,650	56,250	60,750	65,250	69,750	74,250

Income limits are determined by HUD on an annual basis

20

Definition of LMI Person

- ▶ Adult children who continue to live at home with their parent(s) are considered to be part of the family and their income must be counted
- ▶ A dependent child living outside of the home (e.g., students living in a dormitory or other student housing) is considered to be part of the family even though he/she is living in elsewhere

21

Family vs. Household

- ▶ With CDBG there is a difference between *Household* and *Family*
- ▶ Public Service programs and almost all non-housing activities typically use Family (IE: childcare center, after school programs, food pantry, etc.)
- ▶ Housing programs typically use Household (IE: Home repair, down payment assistance, etc.)

22

Definition of LMI Household

- ▶ A household in which the total income of all of the household members is equal to or less than limit established by HUD
- ▶ A household is defined as all persons occupying the same housing unit, regardless of their relationship to each other
- ▶ The occupants could consist of
 - a single family,
 - two or more families living together,
 - or any other group of related or unrelated persons who share living arrangements

23

Family/Household Examples

Example # 1: Unrelated Roommates

- ▶ Two roommates apply for a home repair loan. Both are considered members of the same 2 person **household**
- ▶ The same two roommates apply for a job training program, they would be considered separately for their **family size**.

24

Family/Household Examples

Example #2: Jackie has two children and to save money moved in with Susie who also has 2 children.

- ▶ Susie applies for home repair assistance. She would be considered a 6 person household
- ▶ Susie enrolls one of her children in an after school program. She would be considered a 3 person family

25

Family/Household Examples

Example #3: Billy has three children one of which is away at college and lives in the dorms.

- ▶ Billy applies for down payment assistance. He would be considered a 3 person household
- ▶ He enrolls in a job training program. He would be considered a 4 person family

26

LOW-MODERATE INCOME AREA BENEFIT

- ▶ Area must be at least 51% LMI
(Typically uses Census data to determine)
- ▶ Boundaries must be clearly identified
(e.g. census tracts, single or multiple neighborhoods)
- ▶ Area must be primarily residential
- ▶ Activities must benefit all residents of area
- ▶ Must define reasonable service area

27

LOW-MODERATE INCOME JOBS

- ▶ Includes activities related to economic opportunity
- ▶ In order to meet this criteria, activities must **create or retain** permanent jobs AND 51% of the jobs created/retained must be **available to or held by** LMI persons
- ▶ **Examples:** construction of a business incubator designed to offer space and assistance to small businesses
- ▶ Jobs counted on a full-time equivalent basis (FTE)
- ▶ At least one FTE, permanent job per \$35,000 of CDBG – 24 CFR 570.209(b)
- ▶ Failure satisfy job requirements will result in payback of CDBG funds

28

LOW-MODERATE INCOME HOUSING

- ▶ This is the only L/M national objective for housing activities
- ▶ To meet the housing national objective, structures must be occupied by low/mod households
- ▶ Typical activities: homeowner unit rehab, rental acquisition and rehab, homebuyer assistance

29

CDBG Eligible Activities

24CFR 570.201

30

DESIGNING A CDBG-ELIGIBLE PROGRAM: STEPS

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31

ELIGIBLE ACTIVITIES

- ▶ CDBG funds can only be used for activities that fall under an authorized category of basic eligibility.
- ▶ Activities must be properly classified
 - Must be identified as a “matrix code” in IDIS to qualify.
- ▶ Adequate documentation must be provided and maintained for the selected activity.
- ▶ For an activity to be considered eligible, it must be included in the most recent Consolidated Plan

32

CDBG ELIGIBLE ACTIVITIES

To qualify for CDBG funding, programs must meet a national objective and eligible activity. Examples of eligible activities include:

- | | |
|-------------------------------------|--|
| ▪ Acquisition of Real Property | ▪ Public Improvements
(such as streets & sidewalks) |
| ▪ Clearance and Demolition | ▪ Public Services |
| ▪ Rehabilitation of Housing | ▪ Economic Development |
| ▪ Construction of Public Facilities | ▪ Homeownership Assistance |
| ▪ Micro Enterprise Assistance | ▪ Planning and Capacity Building |

33

CDBG INELIGIBLE ACTIVITIES

Examples of ineligible activities:

REGULATIONS EXPRESSLY PROHIBIT

- | | |
|---------------------------------------|---|
| ▪ Buildings for conduct of government | For Example:
City Hall Improvements
(Exception: Community Centers) |
| ▪ General government expenses | For Example:
▪ Normal trash pickup
▪ Operating the city's tax collection department |
| ▪ Political activities | Includes:
▪ Costs related to political campaigns
▪ "Get Out The Vote" drives |

34

COMMON ELIGIBLE ACTIVITY: Public Service

- ▶ Under this category, CDBG funds may be used to provide public services (including labor, supplies, materials and other costs), provided that each of the following criteria is met:
 1. The public service must be either a new service or a quantifiable increase in the level of a service;
 2. The total amount of allocated public service funding can not exceed the City's public service cap.

35

COMMON ELIGIBLE ACTIVITY: Public Service Examples

Public services include, but are not limited to:

- *Energy conservation counseling and testing*
- *Child care*
- *Health care*
- *Job training*
- *Recreation programs*
- *Education programs*
- *Public safety services*
- *Services for seniors*
- *Drug abuse counseling and treatment*
- *Services for homeless persons*

36

National Objective Analysis Example #1: Public Services

National Objective	Qualifies If:	Example
LMI Limited Clientele	<p>The public service is limited to a specific group of people, at least 51% of whom are LMI persons.</p> <p>Services qualifying under this category serve a specific clientele, rather than providing service to all persons in a geographic area.</p>	Energy Conservation training specifically for LMI persons; provision of meals to the homeless or seniors. (Most public services qualify under this category)

37

COMMON ELIGIBLE ACTIVITY: Public Facilities and Improvements

- ▶ CDBG funds may be used by the grantee or non-profits for the:
 - Acquisition,
 - Construction,
 - Reconstruction,
 - Rehabilitation, or
 - Installation of public improvements or facilities (except for buildings for the general conduct of government).
- ▶ Facilities must be open to the general public.
- ▶ Improvements and facilities must be publicly owned or owned by a nonprofit.

38

National Objective Analysis Example #2: Public Facilities and Improvements

National Objective	Qualifies If:	Example
LMI Area Benefit	The public facility or improvement will be used for a purpose – the benefits of which are available to all residents in a particular area that is primarily residential and at least 51% of those residents are LMI persons.	Rehab, including installation of energy efficient windows for a community center located in the Kingsway East neighborhood; Paving of gravel streets and the installation of curbs, gutters and sidewalks in the Tower Grove South neighborhood.

39

National Objective Analysis Example #3: Public Facilities and Improvements

National Objective	Qualifies If:	Example
LMI Limited Clientele	The public facility or improvement will be used for an activity designed to benefit a particular group of persons (at least 51% of whom are LMI persons).	Energy Star upgrades to a building to be used as a center for training persons with disabilities to enable them to live independently.

40

TIPS IN DETERMINING ELIGIBLE ACTIVITY

- ▶ Use HUD–provided comprehensive list and descriptions of eligible activities (see handouts)
- ▶ Use HUD provided national objective/matrix code analysis (see handouts)

41

ELIGIBLE ACTIVITY QUIZ NO.1

“Our program helps the people in need of our service and provides a good service to the community, yet it still may not be an eligible program for CDBG funding.”

True or False?

True.

HUD CDBG regulations establish specific eligibility criteria and the program in question may not meet them even if it is a needed service. It may be eligible for some federal grant programs but not necessarily for the CDBG program.

42

ELIGIBLE ACTIVITY QUIZ NO.2

"My family income meets the LMI limits and I am disabled. Weeds in my yard are too tall and I need to hire someone to cut them down but I can't afford it. Can I call the City tomorrow and get some CDBG money to help me pay for the service?"

Yes or No?

No.

Unless there is a City approved program that has already secured CDBG funding for the year for that purpose.

43

ELIGIBLE ACTIVITY QUIZ NO. 3

"Our agency is eligible and our program is eligible, but we don't have adequate resources and internal systems to ensure compliance with CDBG regulations. Therefore, our agency is not up to the task of administering a CDBG-funded program."

True or False?

True.

If your agency does not have the capability to comply with the CDBG regulations, you will not be considered for CDBG funds.

44

CDBG Quiz - Answers

BREAK

45

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46

CDBG ELIGIBLE ACTIVITIES EXAMPLES

- ▶ Determine whether it is a CDBG **Eligible Activity**
- ▶ Determine whether a CDBG **National Objective** can be met
- ▶ If the activity qualifies under more than one National Objective and/or Eligible Activity, what is the *best fit*?

47

EXAMPLE #1

Capital Hill Community Services is proposing to implement a neighborhood beautification program. The program will target vacant lots and complete 6 distinct beautification projects in the Jefferson and Lincoln neighborhoods. Capital Hill Community Services will recruit and organize approximately 15 volunteers for each project who will clean-up vacant lots and landscape with new plantings of trees and flowers. Capital Hill Community Services will partner with local businesses, churches, block groups, and other organizations to donate supplies and maintain improvements after completion.

Eligible Activity?

Yes
Public Service

National Objective?

Low-Mod Area (LMA)

48

EXAMPLE #2

Senior Services is proposing to expand their “Meals on Wheels” program which currently provides home delivered meals to 150 elderly and disabled residents. With the increased funding, Senior Services could serve an additional 100 clients.

Eligible Activity?

Yes
Public Service

National Objective?

Low-Mod Clientele (LMC) – Presumed

49

EXAMPLE #3

The City of Green Acres is expanding its Community Center and Recreation Complex. In addition to a new pool, the new facility will include expanded office space for City staff and new meeting rooms for council and board meetings. The City is primarily low-mod and recent data has shown that the residents are at risk for diabetes, obesity, and other poor health outcomes.

Eligible Activity?

No

National Objective?

N/A

50

EXAMPLE #4

A local Head Start program proposes to expand their program from 50 to 75 children. The Head Start program is located in a low-mod neighborhood. Based on last year's enrollment, over 90% of the children come from families who receive food stamps or some other form of public assistance.

Eligible Activity?

Yes

Public Service

National Objective?

Low-Mod Clientele (LMC)

51

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52

Questions & Review

Group Exercise